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## **OLR Bill Analysis**

### **sSB 1 (File 400, as amended by Senate "A")\***

#### ***AN ACT CONCERNING JOBS AND THE ECONOMY***

##### **SUMMARY:**

This bill (1) expands existing workforce and small business development programs, (2) creates programs for hiring certain unemployed Afghanistan and Iraq war veterans and promoting the state's economic and cultural assets, (3) allows more small businesses to qualify for assistance under existing bond funded programs, and (4) makes administrative changes to the Main Street Investment Fund Program.

The bill expands the Small Business Express (Express) and Subsidized Training and Employment programs (STEP) by opening them to more businesses. Current law limits both programs to businesses with 50 or fewer employees. The bill opens them to businesses with up to 100 employees. It also opens STEP to retailers hiring permanent full-time and part-time employees and authorizes an additional First Five Plus Program preference for businesses relocating overseas jobs to Connecticut.

The bill authorizes several new programs. It establishes a subsidized training and employment program for hiring unemployed Iraq and Afghanistan war veterans modeled after STEP and authorizes \$10 million in bonds for the program. It requires the Department of Economic and Community Development (DECD) commissioner to establish programs promoting products made in Connecticut and the state's cultural, educational, and historic attractions (i.e., Connecticut Treasures Program).

##### **\*Senate Amendment "A":**

1. makes additional changes to Express, including opening the

program to businesses based in other states with operations in Connecticut, increasing job creation incentive loan amounts and terms, resetting the period during which borrowers are subject to the relocation penalty, and establishing a separate nonlapsing fund for the Express loan repayments;

2. opens STEP to businesses with operations in Connecticut but based in other states and makes technical changes;
3. opens the veterans STEP program to all Afghanistan and Iraq war veterans, not just those who served in the reserves;
4. adds the Connecticut Treasures Passport component to the Connecticut Treasures Program and eliminates a provision requiring the education commissioner to develop a curriculum for it;
5. eliminates a provision making it a discriminatory employment practice to advertise employment opportunities in a way that discriminates against the unemployed; and
6. allows more small businesses to qualify for bond-funded state economic development funds.

EFFECTIVE DATE: Upon passage, except the provision authorizing the CONNECTICUT-MADE program takes effect October 1, 2012.

### **§§ 1-3 — EXPRESS**

The bill makes several programmatic changes to the Express Program, which consists of separate revolving loan, job incentive loan, and matching grant components. Some of the program's requirements apply to all of the components, some to specific ones. The bill makes changes to both sets of requirements.

#### ***Eligible Businesses***

The bill opens the program's components to more businesses. Under current law, a business qualifies for assistance if it employed 50 or fewer people during at least half of its working days in the prior 12

months and meets other criteria. The business must also:

1. be based in Connecticut and operate here,
2. have been registered to do business in Connecticut for at least 12 months,
3. be current on all state and local taxes, and
4. be in good standing with all state agencies.

The bill extends Express assistance to businesses based in other states if they have been registered to do business here or in other states for at least 12 months and have operations in Connecticut (i.e., a subsidiary of a corporation). It also extends assistance to more small businesses by raising the employee threshold from 50 to 100.

### ***Relocation Penalties***

The bill resets the time period during which a business receiving assistance under any component is subject to the statutory penalty for relocating out of state after receiving assistance (CGS § 32-5a). Under current law, a business receiving state economic assistance under any program, including Express, must repay 100% of the assistance plus 5% if it relocates from Connecticut within five years after receiving the assistance. Under the bill, the period for Express borrowers is five years or the loan's term, whichever is longer. As discussed below, the bill sets the maximum repayment period for Express loans at 10 years.

### ***Eligible Costs***

The bill expressly allows businesses to use revolving loan funds or matching grants to purchase machinery and equipment. Under existing law, revolving loans can already be used to acquire machinery and equipment, construct facilities or make leasehold improvements, cover moving expenses, or provide working capital. Matching grants can also be used for these activities and new and ongoing workforce training.

### ***Loan Amounts and Terms***

The bill extends the maximum period for repaying a revolving loan from five to 10 years. Under current law and the bill, the commissioner can charge up to 4% interest on these loans.

The bill increases the maximum job incentive loan from \$250,000 to \$300,000. Current law authorizes loan amounts ranging from \$10,000 to \$250,000, but sets no interest rate or repayment term for them. The bill (1) allows the commissioner to charge up to 4% on the loans and (2) sets the repayment period at up to 10 years. Under both the bill and current law, the commissioner may forgive these loans or defer their repayment.

### ***Administrative Changes***

The bill makes several administrative changes. It allows the commissioner to run the program by partnering with other entities, including the Connecticut Credit Consortium, a DECD-administered small business assistance revolving fund.

The bill specifies how the commissioner must help Express applicants obtain STEP assistance. Current law requires her to work with them to provide a package of assistance from STEP and other appropriate state programs. STEP is administered by the Labor Department. The bill allows the commissioner to refer applicants to that program instead of providing a package that includes STEP assistance.

The bill establishes a separate, nonlapsing General Fund account for Express that must contain any funds the law requires to be deposited there, principal and interest loan repayments, and any other funds DECD receives in consideration for Small Business Express assistance. DECD and its administrative partners can use the fund to cover administrative expenses and other costs of running the program.

### ***Bonding***

The bill changes the bond allocations for Express' three program components. PA 11-1, October Special Session, authorized \$50 million in bonds per year in FY 12 and FY 13 and allocated \$20 million of that

total in each of those years for the revolving loan component. The bill reduces this allocation to \$10 million per year in FY 12 and FY 13 and correspondingly increases the allocation for the job creation incentive component in each of these fiscal years from \$10 million to \$20 million.

### **§ 11-12 — FIRST FIVE PLUS JOBS RELOCATION PREFERENCE**

The bill allows the DECD commissioner to give a preference under the “First Five Plus” program to proposed business projects that will relocate overseas jobs to Connecticut. The program offers loans, tax incentives, and other forms of economic development assistance to businesses committing to create jobs and invest capital within the law’s timeframes. Current law allows her to give preferences to:

1. manufacturers from other states or countries relocating to Connecticut,
2. businesses relocating their corporate headquarters here, or
3. business “redevelopment projects” that she believes can create jobs and invest capital sooner than the law requires.

By law, a business qualifies for First Five assistance if it commits to:

1. create at least 200 jobs within 24 months after the commissioner approves the assistance, or
2. invest at least \$25 million and create at least 200 new jobs within five years after she approves the assistance.

The bill also reserves up to \$20 million from a FY 13 \$280 million economic development bond authorization that may be used for businesses that propose to relocate at least 100 overseas jobs to Connecticut. Any balance remaining in this \$20 million reservation after FY 13 must be used to fund economic development projects.

### **§ 12 — BONDS FOR SMALL BUSINESS DEVELOPMENT PROGRAMS**

The bill allows more businesses to qualify for assistance under existing bond funded small business development programs. PA 11-1,

October Special Session, provided more bonds for these programs by increasing the GO bond authorization for DECD's Manufacturing Assistance Act program by up to \$340 million, from \$40 million annually in FY 12 and FY 13 to \$140 million in FY 12 and \$280 million in FY 13. The act also reserved \$60 million of the authorized funds to assist business with 50 or fewer employees, \$20 million in FY 12 and \$40 million in FY 13.

The bill allows more businesses to qualify for assistance funded with these bonds by raising the size criterion from 50 or fewer employees to 100 or fewer employees.

### **§§ 3-4 — STEP**

#### ***Eligible Businesses***

The bill makes programmatic and administrative changes to STEP, which subsidizes the costs of training and compensating a new employee during his or her first six months on the job. The subsidies are different for small manufacturers and other types of small businesses, but the eligibility criteria are mostly the same.

The bill opens STEP to more small businesses and small manufacturers. Under current law, a business qualifies for STEP if it employed 50 or fewer people during at least half of its working days in the prior 12 months and:

1. is based in Connecticut and operates here,
2. has been registered to do business in Connecticut for at least 12 months, and
3. is current on all state and local taxes.

The bill extends STEP assistance to businesses based in other states if they have been registered to do business here or in other states for at least 12 months and have operations in Connecticut (i.e., the subsidiary of a corporation).

The bill opens the program to businesses employing up to 100

people and to retailers, which current law explicitly excludes. In opening the program to retailers, the bill specifies that the subsidies are available only for new permanent full-time and part-time employees, not temporary or seasonal employees.

### ***Subsidy Schedule***

The bill resets the schedule for making subsidy payments to non-manufacturing small businesses. By law, the subsidies cover a portion of the training and compensation cost of each new employee, up to \$20 per hour. Under current law, the portion declines over each new employee's first six calendar months on the job.

The bill changes the subsidy period from calendar months to a 180-day period divided into four periods, but does not change the subsidy levels, which range from 100% to 25%, as Table 1 shows.

**Table 1: STEP Subsidy Schedule for Non Manufacturing Small Businesses**

| Period       | Subsidy Level |
|--------------|---------------|
| Days 1-30    | 100%          |
| Days 31-90   | 75%           |
| Days 91-150  | 50%           |
| Days 151-180 | 20%           |

(The subsidy for small manufacturers, which the bill does not change, is a grant that phases out over six months. The maximum grant ranges from \$2,500 for the first month to \$1,600 for the last. )

### ***Administrative Costs***

The bill increases the share of STEP funds that can be used to cover administrative costs. In doing so, it creates two separate set-asides for different entities involved in running the program.

Current law provides one set-aside, which cannot exceed 4% of the allocated funds. The Department of Labor (DOL) can use the set-aside to cover the cost of retaining outside consultants to run the program. The bill allows DOL to also use the set-aside to retain the Workforce Investment Boards to run the program.

The bill creates a separate set-aside for covering STEP's marketing

and operations costs. In FY 13, it allows DOL to use up to 4% of STEP's funds for these costs.

### ***Reporting Period***

The bill sets deadlines for submitting each biannual report. Under current law, DOL must submit the first report by June 30, 2012, and subsequent reports every six months from that date. Under the bill, the report for the period covering January to June is due July 15, starting in 2012, and annually thereafter. The report for the period covering July to December is due January 15, starting in 2013 and annually thereafter.

### ***Bonds***

The bill extends the period during which the bonds authorized for STEP's small business and small manufacturers components are available. The law authorizes \$20 million for STEP, with \$10 million available each in FY 12 and FY 13. Current law divides the annual authorization between the two components, providing \$5 million for each in FY 12 and FY 13. The bill extends the time for both components bonds by one year, to FY 14.

## **§§ 6-7 — UNEMPLOYED ARMED FORCES MEMBER SUBSIDIZED TRAINING AND EMPLOYMENT PROGRAM**

### ***Purpose***

The bill establishes the Unemployed Armed Forces Member Subsidized Training and Employment Program to provide grants subsidizing businesses' costs of hiring unemployed veterans during their first 180 days on the job. It authorizes \$10 million in bonds for the program, with \$5 million available upon its passage and the balance available in FY 14. The bill requires the labor commissioner to run the program and allows him to adopt implementing regulations.

### ***Eligibility***

***Business.*** The program is open to any business that has operations in Connecticut, has been registered to do business here or in other states for at least 12 months, and is in good standing regarding all state and local taxes.



**Employee.** The business qualifies for a training and employment grant depending on the new employees' prior employment and veteran status. A new employee (1) must be unemployed before the business hired him or her, whether or not he or she received unemployment benefits, and (2) cannot have been employed by a related person in Connecticut at any time during the 12 months before he or she was hired.

A "related person" includes a corporation, limited liability company (LLC), partnership, association, or trust that controls the eligible business or is under its control. Control is based on ownership of (1) stock in a corporation; (2) capital or profit interest in a partnership, LLC, or association; or (3) a beneficial interest in a trust, all according to federal tax law.

The business' eligibility for the grant also depends on the new employee's veteran status. He or she must have been:

1. a member of (1) the United States Army, Navy, Marine Corps, Coast Guard, or Air Force or any reserve component of these armed forces or (2) a state National Guard;
2. called to active service in support of Operation Enduring Freedom (Afghanistan) or presidentially authorized military operations against Iraq; and
3. honorably discharged after serving at least 90 days in an area the president designated by executive order as a combat zone, or earlier if the employee was separated from service due to a Veterans' Administration-rated service connected disability.

### ***Training and Employment Grants***

Businesses may apply to DOL for a grant for each employee meeting the above criteria. In doing so, they must describe the on-the-job training the employee will receive. The DOL commissioner or his designee must review and approve that description as part of the business' grant application.

The grant covers a portion of the cost of compensating the employee, not counting benefits, during the first 180 days on the job, up to a maximum of \$20 per hour. As Table 1 shows, the grant amount phases out during this period.

**Table 2: Subsidy Schedule**

| Period      | Grant Amount as Percent of Employee's Wages |
|-------------|---|
| Day 1-30    | 100%  |
| Day 31-90   | 75%   |
| Day 91-150  | 50%   |
| Day 151-180 | 25%   |

The grant payments immediately end if the employee leaves the business before the end of the six-month period. A business receiving a grant cannot receive (1) a second grant for an employee who remains after this period or (2) a STEP grant.

### ***Administrative Costs***

The bill allows a portion of the funds allocated for the program to cover administrative costs. It does so by creating two separate set-asides for different entities involved in running the program. It allows DOL to use up to 4% of the funds to cover the costs of retaining the Workforce Investment Boards or outside consultants to run the program. In FY 13, the bill also allows DOL to use up to 4% of the funds to cover the program's marketing and operations costs.

### ***Reporting***

The labor commissioner must report biannually on the program to the Appropriations; Commerce; Labor; Veterans; and Finance, Revenue and Bonding committees. Each six-month report must include available data on:

1. the number and types of businesses that received training and employment grants, and
2. the number of unemployed veterans hired because of these grants.

The biannual report covering the January to June period is due July 15, starting in 2013, and annually thereafter; the report covering the July to December period is due January 15, starting in 2014, and annually thereafter.

## **§ 8 — “CONNECTICUT-MADE” MARKETING CAMPAIGN**

### ***Purpose***

The bill requires the DECD commissioner to encourage the development of the state's manufacturing and production sectors by establishing and administering a program that promotes the marketing of Connecticut-made products. The commissioner must administer the program within available appropriations. She may also adopt implementing regulations.

### ***Program Components***

The bill specifies the components the commissioner must include in the program. She must:

1. provide for the design, planning, and implementation of a multiyear, state-wide marketing and advertising plan that includes television and radio advertisements showcasing Connecticut-made products and the advantages they offer;
2. establish and continuously update an associated website that lists Connecticut manufacturers, the products they make, and the retailers that sell them;
3. help Connecticut manufacturers and producers needing assistance access appropriate economic development organizations; and
4. foster contacts and relationships between businesses making or producing Connecticut products and retailers, marketers, chambers of commerce, regional tourism districts, and other potential institutional customers (i. e., program stakeholders).

The last component includes providing a feature on the website linking Connecticut manufacturers and producers with potential

buyers and staging statewide or regional promotional events where these groups can participate.

In addition to these required components, the bill allows the commissioner to make grants, within available appropriations, to individuals and businesses that promote and market Connecticut-made products. Grant recipients must clearly incorporate the phrases, "CONNECTICUT-MADE" or "CT-Made" in their promotional and marketing activities.

### ***Business Participation***

The bill requires the commissioner to engage the program's stakeholders in its activities. She must make her best efforts to solicit their cooperation and participation in advertising Connecticut products; developing the website; and planning events, including soliciting private funds to match state funds.

### ***Annual Reports***

Beginning January 1, 2013, the bill requires the commissioner to submit annual status reports to the Commerce Committee. The report must describe the program's activities and the amount of private matching funds DECD received and spent.

## **§ 9 — CONNECTICUT TREASURES**

The bill authorizes a method to identify and promote Connecticut's "cultural treasures." It requires the DECD commissioner to consult with the Tourism Advisory Committee about developing a program to designate culturally, educationally, and historically significant locations and promote them or state-owned and -operated museums.

The program must also integrate DECD's existing programs in promoting these locations and museums to adults and children. In doing so, it must offer a "Connecticut Treasures Passport," which must provide free or reduced admission to the designated treasures and all state-owned and operated-museums for children under age 18 who are accompanied by an adult.

## **§ 10 — MAIN STREET INVESTMENT FUND PROGRAM**

The bill makes administrative changes to the Main Street Investment Fund program, which provides grants for developing and improving commercial centers in relatively small towns. The grants are administered by the Office of Policy and Management (OPM) secretary. The bill allows the secretary to contract with a nonprofit entity to administer the program and to allocate up to 4% of the program's funds to cover the entity's reasonable administrative expenses. Under current law, he can use the funds only to make grants.

## **BACKGROUND**

### ***Related Bills***

SB 75's (File 24), provisions authorizing a "Connecticut-Made" Marketing campaign are identical to the bill's provisions.

sSB 77 (File 46), creates a similar subsidized training and employment program for former unemployed armed forces members.

sSB 81 (File 118), allows more small manufacturers businesses to qualify for STEP by raising the employee ceiling from 50 to 100 employees and allowing the DOL commissioner to waive some of the eligibility criteria for new employees hired by non-manufacturing businesses.

It also opens the Small Business Express Program to more businesses and makes other programmatic and administrative changes, including:

1. raising the employee ceiling for manufacturers from 50 to 100 employees,
2. extending assistance to businesses based in other states and without operations here,
3. resetting the time period during which a business is subject to the statutory penalty for relocating out of state, and
4. increasing the maximum loan amount and terms under two of

the program's components.

sSB 221 (File 35) allows the DECD commissioner to give a First Five Plus preference to businesses proposing to relocate overseas jobs to Connecticut.

### **COMMITTEE ACTION**

#### Commerce Committee

Joint Favorable Substitute Change of Reference

Yea 17 Nay 0 (03/15/2012)

#### Education Committee

Joint Favorable

Yea 30 Nay 1 (03/23/2012)

#### Labor and Public Employees Committee

Joint Favorable

Yea 9 Nay 0 (04/19/2012)

#### Appropriations Committee

Joint Favorable

Yea 38 Nay 14 (04/23/2012)

#### Finance, Revenue and Bonding Committee

Joint Favorable

Yea 49 Nay 2 (04/26/2012)